

Message Text

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C O N F I D E N T I A L PEKING 0228

E.O. 11652: GDS

TAGS: ETRD CH IT EC

SUBJECT: PRC-ITALIAN TRADE

SUMMARY: TOTAL TURNOVER IN PRC-ITALIAN TRADE DECREAFDD
TO ABOUT \$211 MILLION IN 1975 AND THE PREVIOUS YEAR'S
ITALIAN SURPLUS CHANGED TO A DEFICIT OF ABOUT \$13 MILLION.
THE DECLINE IN EXPORTS AND TOTAL TRADE MAY BE REVERSED
BY AN ITALIAN EXPORT EFFORT IN 1976. THIS EFFORT WILL
BE LED IN THE PETROCHEMICAL PLANT FIELD BY A CONSORTIUM
HEADED BY E.N.I., THE ITALIAN NATIONAL PETROLEUM COMPANY.
END SUMMARY

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1. BASED ON PROJECTIONS SUPPLIED BY ITALIAN EMBOFF
PALMIERI, TOTAL TRADE BETWEEN ITALY AND THE PRC IN 1975
DECREASED SOME FIVE PERCENT FROM THE RECORD HIGH SET
IN 1974, FALLING TO ABOUT \$211 MILLION (LIRE 160,360
MILLION). ITALIAN EXPORTS DECLINED ABOUT 18 PERCENT
TO \$99 MILLION, WHILE IMPORTS ROSE SOME 10 PERCENT
TO \$112 MILLION, LEAVING ITALY APPARENTLY THE ONLY
EC COUNTRY TO RUN A TRADE DEFICIT WITH THE PRC. END
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2. THE DECLINE IN ITALIAN EXPORTS WAS ATTRIBUTED BY PALMIERI TO THE COMPLETION OF DELIVERIES ON WHOLE PLANTS AND OTHER LARGE PURCHASES MADE BY THE CHINESE AS A POLITICAL GESTURE AT THE HIGH POINT OF SINO-ITALIAN RELATIONS FOLLOWING RECOGNITION IN NOVEMBER 1970. PALMIERI EXPECTS THIS DECLINE TO BE REVERSED IN 1976 BY A MORE AGGRESSIVE AND BETTER ORGANIZED ITALIAN EXPORT EFFORT.

3. AN IMPORTANT ELEMENT IN THE EXPORT DRIVE WILL BE PETROCHEMICAL FACILITIES. ONE EXAMPLE CITED BY PALMIERI WAS THE DETERGENT PLANT CONTRACT (USING US TECHNOLOGY) SIGNED BY EUROTECHNICA IN DECEMBER 1975. E.N.I., THE ITALIAN NATIONAL PETROLEUM COMPANY, SHOULD SIGN A SIMILAR CONTRACT SOON. E.N.I. WILL ALSO HEAD A CONSORTIUM OF SMALLER COMPANIES, INCLUDING EUROTECHNICA, WHICH IS BEING FORMED TO TRADE WITH CHINA. THE E.N.I. REPRESENTATIVE HAS ALREADY BEEN IN PEKING FOR SEVERAL MONTHS AND WILL PROBABLY REMAIN HERE ON A PERMANENT BASIS.

4. THE OCTOBER VISIT OF THE ITALIAN INDUSTRIALISTS' DELEGATION HEADED BY AGNIELLI OF FIAT WAS WITHOUT IMMEDIATE RESULTS, ACCORDING TO PALMIERI, BUT COULD PROVE SIGNIFICANT FOR FUTURE SINO-ITALIAN TRADE. FIAT HAS ATTEMPTED TO OPEN NEGOTIATIONS ON BOTH A JOINT ENTERPRISE FOR AUTO PRODUCTION IN CHINA AND ITALIAN PURCHASE OF PETROLEUM FOR RESALE IN ASIA. CHINESE REPS WERE NOT INTERESTED IN EITHER PROPOSAL, BUT CONTINUED DISCUSSIONS OF MODES OF COOPERATION BETWEEN FIAT AND THE PRC ARE EXPECTED BY THE ITALIAN EMBASSY.

5. ON THE IMPORT SIDE, GROWTH IS THREATENED BY INCREASED CONFLICTS WITH EC MEAT IMPORT REGULATIONS. A DELEGATION HEADED BY REPRESENTATIVES OF THE ITALIAN MINISTRY OF HEALTH WILL ARRIVE THIS WEEK. THEY HOPE TO DISCUSS THIS PROBLEM AND TO VISIT/INSPECT SLAUGHTER-
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HOUSES AND PACKING PLANTS ON A ONE-TIME BASIS.

6. PALMIERI NOTED THAT THE CHINESE CONTINUED TO PRESS HARD FOR GREATER IMPORTS BY ITALY DESPITE HER CURRENT TRADE DEFICIT. ADROITLY SHIFTING THEIR GROUND, PRC REPS NOW ARGUE THAT ITALY MUST CONTRIBUTE TO BALANCING PRC-EC TRADE AS A WHOLE. THE PRC DELEGATION TO BRUSSELS CAN BE EXPECTED TO MAKE THIS PLEA FOR

MORE BALANCED TRADE FORPAFULLY DURING THE COURSE OF
THEIR FORTHCOMING TRADE NEGOTIATIONS. END CONFIDENTIAL
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